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MASTER THESIS

CREDIT RISK MANAGEMENT IN COMMERCIAL BANKING DURING 2010-2011

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INTRODUCTION

Writing for the management of credit risk in commercial banks in Kosovo is a very difficult task and with a great deal of responsibility.

At times, people have insisted on being overlooked by the dangers that brought the future of the pond. With thousands of years, various forms of risk management have been perfected and risk protection options have been expanded.

The world today is a giant market, people, above all have been and will remain a permanent consumer of credit. The aim is to manage the credit risk since banks are facing the risk of non-repayment of loans by creditors every day.

Given the emerging situation in the development of our society, the aim for the contemporary state in terms of advancement and inclusion in international flows credit risk management in commercial banks such as domestic and foreign interest should gain significant domestic importance as well at international exchange. As an integral part of credit risk management is the insurance that as a segment contributes and assists individuals or banks, respectively, to minimize the risk imposed by the circle.

In the banking system, risk management takes on particular importance, where the rules are responsible for protection against the failures of the banking system. Banks need to manage their credit risk very carefully because ineffective risk management can be delayed quickly in bank failure.

If a bank is perceived to be in a weak financial position, depositors will withdraw their funds, the other banks will not credit, on the other hand the bank itself will be able to sell the debt securities in the financial markets.

The elaboration of this complicated problem requires to be defined and explained by the main categories of banks and loans that are closely related to the management of credit risk.

The object of the study in this paper is "Credit risk management in commercial banks in Kosovo during 2012-2011".

CONCLUSION

The question that was raised from time to time was: "Why did banks give loans to individuals who will never be able to return the loan back?"

Based on the description of the situation and the paper presented on the basis of the research literature, it can be concluded that:

The bank can identify, monitor, and control the credit risk associated with its activities (for all portfolio, individual transactions and credits), as well as determine the capital adequacy against this risk and if it is sufficiently compensated.

The loan is the money you borrow from the bank with a contractual obligation by stating that you will return those interest, which represent an amount for the loan service. First and foremost, credit is a financial burden and you must approach it with great responsibility. Before you get a loan, you need to make sure that the amount you will receive will be paid from your income.

The credit risk arises from the potential of a debtor or lacks the desire to pay its obligation or ability to pay the obligation has deteriorated resulting in an economic loss to the bank. The loss may be the entire amount of the loan or the partial amount of the loan granted to the lender.

Despite the innovations in the financial sector, more than 70% of the balance sheet of the banking sector is related to this aspect of risk management. For this reason, credit risk is the main cause that banks fail. There are usually minimal rules imposed by the lending risk supervisor.

There are usually three types of rules related to credit risk management. One type is intended to limit or reduce the risk. These include high concentration and exposure, diversification, lending to interconnected parties. The second type is intended to classify the assets. This includes periodic review of the loan portfolio. The third type is intended to calculate loss provisions or to make the account at an adequate level to absorb the foreseen losses.

It is necessary that the rates of interest rates should be transparent and realistic. Also, it is necessary to know how to determine the loan price (both for fixed rate loans and variable rate loans), and at the same time, determining the administrative costs of charging the loan to be more transparent.

It should be affected by the choice of cases more quickly in courts and cases involving mortgages.

In conclusion, we can say that recognition, valuation and risk management for banks is very important. We hope that banks will increasingly use risk management techniques and address insiders and people specialized in risk management.

"To risk nothing is the biggest risk".